Overview of the Retail Grocery Market in the Upper Mid- Atlantic U.S.

June 1999

(Également disponible en français sous le titre, Aperçu du marché de l'épicerie au détail dans la région Upper Mid-Atlantic des États-Unis)

Prepared by the
Team Canada Market Research Centre
and the
Canadian Trade Commissioner Service

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OVERVIEW OF THE RETAIL GROCERY MARKET IN UPPER MID ATLANTIC UNITED STATES

Team Canada Inc • Équipe Canada inc

EXECUTIVE SUMMARY

This report is intended to provide Canadian exporters with a concise overview of the retail grocery market in the Upper Mid Atlantic United States, which comprises the states of New York and New Jersey. The information was drawn from secondary sources and from the knowledge and experience of the Canadian Trade Officers in Buffalo and New York.

In 1997, this region accounted for 9.8% of the total U.S. population and 9.3% of U.S. supermarket sales, or US$28.9billion. On average, the 26.1million people in this region spend 58% of their food dollar at supermarkets and other retail outlets, or roughly US$1196 per person, per year. Consumers are looking for convenient, nutritious products and retailers are responding with a variety of prepared meals and healthy alternatives.

The food distribution system in the Upper Mid Atlantic region features several major players, such The Great Atlantic & Pacific Tea Company, The Penn Traffic Company, TOPS Market Inc. and Wegmans Food Markets Inc. In the Upper Mid Atlantic region there is a slightly higher concentration of supermarkets versus independent stores. However, of all the major markets that were analyzed not one indicated the dominance of chains or independents. Supercenters continue to place pressure on supermarkets. To combat this, supermarket chain executives and wholesalers are placing more emphasis on what's in the store rather than outside. The focus is on who their customers are, what they want and the delivery of those requests. For instance, by not offering items such as prepared foods, retailers could be missing a golden opportunity.

The market is dominated by U.S. suppliers and is competitive. To compete, Canadian food and beverage exporters must be committed to the market and ready to adapt their products to meet regulatory and market needs; must establish a local sales presence to service their accounts; and develop an aggressive marketing program to support their products.

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OVERVIEW OF THE RETAIL GROCERY MARKET IN THE UPPER MID-ATLANTIC UNITED STATES

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MARKET OVERVIEW

The U.S. Upper Mid Atlantic comprises the states of New York and New Jersey. The region accounts for 9.8% of the total U.S. population and 9.3% of supermarket sales nationwide. Economic growth in the region has been above national average over the past five years and accounts for nearly eight percent of the nation's Gross Domestic Product. The region's economic strength is solidified by its highly educated workforce and its extensive infrastructures. However, Upstate New York's economy is among the weakest in the nation. The manufacturing sectors of transportation equipment, instruments, metals, and food products, have not been excluded from the national economic expansion, but are disproportionately important in the upstate industry mix.

To be successful in this market it is essential to be efficient and well prepared. The population is ethnically diverse and the retail grocery industry is fragmented. The economic diversity and demographics of the market is so great, that it is possible to sell products in all price ranges, from the lowest mass market product to the most refined upscale variations. There is ample opportunity for Canadian companies that make a superior product and are prepared to spend time making the appropriate contacts to enter a market niche.

Population and food consumption trends

Roughly 26.1 million people living in the Upper Mid Atlantic U.S. and this population is projected to reach 26.6 million by the year 2005. Almost 69% reside in New York, and the remaining 31% live in New Jersey. Major urban centres in the region include New York City (population of 11 million in the metropolitan statistical area), Albany (400 000), Buffalo (1.0 million), and Newark (275 000).

The grocery market is valued at roughly US$29.8 billion annually and is expected, (based on population projections) to reach US$30.4 billion by 2005. New York State accounts for 64% of supermarket sales in the region and the state of New Jersey accounts for the remaining 36%.

Table 1. Distribution of population and retail food sales in Upper Mid Atlantic U.S.

State/Region	Population (in '000s)		Supermarket sales (in US$ millions)	
	1997	2005	1997	2005
New York	18137	18250	19103	19108
New Jersey	8053	8392	10726	11287
Upper Mid Atlantic	26190	26642	29829	30395
United States	267 636	285 980	322 463	347 752

Sources: U.S. Bureau of the Census and *Progressive Grocer's Marketing Guidebook 1998.*

The average per-capita personal income in the region, at $US31,703, is significantly above the U.S. average. Consumers spend an average of US$1,196 on food from stores, which represents roughly 58% of their food dollar, above the national average of 56%. The remaining 42% is spent in restaurants and at other foodservice outlets.

In general, patterns of food consumption are being affected by the aging of the Baby Boom generation. Lifestyle changes are likely to increase the demand for a greater variety of meal alternatives and to be available in a greater range of locations, at lower prices.

The time constraints of dual-income households mean that consumers are looking for products that are quick and easy to prepare. In response, retailers are increasing the selection of prepared foods and home meal replacement (HMR) — complete dishes and meal components in fresh and chilled form. In 1997, more than three-quarters of supermarkets offered some form of HMR, which, according to the Grocery Manufacturers of America, has a growth potential in the range of US$100 billion nationally.

Concerns about health, means that consumers are becoming more selective about their food choices and more aware of total nutrition management. According to the U.S. Department of Agriculture, sales of organic food within the U.S. have increased from less than US$1 billion to more than US$2.5 billion over the past five years, and could reach US$10 billion by 2000. The Food Marketing Institute reports that organic products are found in at least half of all supermarkets today and that the larger players are offering a wider selection of organic foods. Exporters should be aware of the impending organic food regulations that the Food and Drug Administration is monitoring. The Agricultural Marketing Service is seeking comments on a proposal to establish a National Organic Program. The program is proposed under the Organic

Food Production Act of 1990, as amended, which requires the establishment of national standards governing the marketing of certain agricultural products as organically produced to facilitate commerce in fresh and processed food that is organically produced and to assure consumers that such products meet consistent standards. This program would establish national standards for the organic production and handling of agricultural products, which would include a National List of synthetic substances approved for use in the production and handling of organically produced products. The program additionally would include labeling requirements for organic products and products containing organic ingredients, and enforcement provisions. Further, the proposed rule provides for the approval of State organic programs and the importation into the Untied States of organic agricultural products from foreign programs determined to have equivalent requirements.

The region's ethnic diversity also affects food choices and preferences. At 2.7 million in 1996 the Hispanic population represents the largest single ethnic group in the region, and this figure is projected to double by 2005. The Asian population, currently the regions' second-largest ethnic group, is expected to increase by an additional 0.5 million by 2005. The growing preference for spicier Hispanic foods and Asian foods represent specific niche opportunities for Canadian exporters.

One of the fastest-growing segments of the U.S. food industry is the Kosher food market, which has been growing at a pace of 10% to 12% a year over the past eight years. In 1997, this market comprised 8100 companies producing 41 000 kosher certified kosher products (including 1650 new products), totaling US$3.5 billion in sales. The market serves an American Jewish community of 6 million, almost one third of which is concentrated in the Upper Mid Atlantic region. Muslims are also part of the growing kosher market; supermarkets in particular have noticed increased purchases of kosher food products by the Halal customers, health conscious gentiles and 7th Day Adventists.

Profile of the food distribution system

In the United States, food and beverage products are generally sold through food brokers to wholesalers/distributors who resell them to supermarkets. Food brokers provide a sales and servicing function; wholesalers coordinate storage, break shipment, and deliver goods. There are exceptions to the rule, however. For example, some medium-sized and most large food retailers operate their own warehouses and buy directly from food brokers or, occasionally, manufacturers. Perishable goods are often sold directly from manufacturers to wholesalers and occasionally to retail buyers. As a rule, processed food exporters can expect to sell their products through all three food distribution channels: brokers, wholesalers and retailers. Markups within the

distribution system vary by product, but average 7% for broker commissions, 10% for wholesalers, and 35% for retailers.

The industry is made up of several distinct store formats. Conventional supermarkets comprise 73% or more of the outlets in the Upper Mid Atlantic region and are dominant in the state of New York where they comprise 84.1% of all retail food outlets. The retail grocery stores in New York City, particularly Manhattan, are much smaller in size than the average supermarket found in suburban areas. Unlike other markets where alternative sources for food products such as discount superstores have gained popularity, they are not common in New York City and generally do not pose much of a competitive threat to traditional retailers. However, the importance of food/pharmacy combos, limited assortment/convenience stores and other formats can vary within this region. For instance, in New Jersey even though 63.4% of the market is dominated with conventional supermarkets, 17.5% of the share is food pharmacy combo and 13.4% is other formats. Equally, New York states remaining market is either food/pharmacy combinations at 8.9% or other formats at 4.7%. Only 1.9% of the entire region have warehouse stores.

The Supermarket Industry

The U.S. supermarket industry is composed of chain stores and independents. Chain stores buy primarily through their corporate headquarters, while independents buy primarily through a wholesaler. In the Upper Mid-Atlantic region there is a slightly higher concentration of chain supermarkets (1411) than independent stores (1012).

Major food retailers and intermediaries

The Upper Mid-Atlantic region is home to several of the top 100 food retailers, including the Great Atlantic & Pacific Tea Company, Pathmark Stores Inc., and the Grand Union Company. Wakefern Food Corporation is ranked the nation's third leading wholesaler. The Penn Traffic company is ranked seventh.

Headquartered in Montvale, New Jersey, **The Great Atlantic & Pacific Tea Company** serves 975 stores, of which 690 are conventional supermarkets, 283 are superstores and 2 are warehouse stores. Overall sales in 1996 were estimated at US$10 billion. The company has distribution centres in Montvale, New Jersey; Hastings, New York; and Patterson, New Jersey. It also serves 49 franchised Food Basic stores in Canada. The Metro Group is the buying office for the New Jersey and New York divisions, as well as for Food Emporium and Walbaum. In addition they operate under the store names of A&P, Food Bazaar, and Sav-A-Center.

The Penn Traffic Company serves the U.S. Upper Mid Atlantic region from their headquarters in Syracuse, NY. Specifically, The Penn Traffic Company serves 122 supermarkets in Upper New York and have 17.2% of the retail share. Under trading names such as P&C Foods, Quality Markets, Big Bear and Insalaco Markets, Penn Traffic Company has annual sales averaging US$3.3 billion. The company recently centralized all operations by closing its five distribution centers and now serves the market from its headquarters in Syracuse. All grocery buying is done at this location and non-food and purchasing is handled through the Columbus, OH location.
The majority of **TOPS Markets, Inc.** 184 stores (58% of which are convenience stores) are located within Upper State New York and surrounding area. With an annual average of US$1.7 billion, the company carters to the upscale conventional shopper. Top Markets, Inc. distributes products to several store banners, under the flag names of Top Markets and Neighborhood Food Store.

Wegmans Food Markets Inc. from its distribution centre in Rochester, NY supplies 54 super stores in the New York region and generates annual sales worth US$2.1 billion. The average store size for Wegman's Food Pharmacy is 52, 000 - 100,000 sq. ft. and offer specialty sections like the 'Marche' environment. Wegman's focus is to make shopping an experience, offering quality products in a friendly environment.

From its Carlstadt, New Jersey distribution center, **White Rose Inc.** supplies 404 stores (52% conventional supermarkets, 27%small stores and 21% superstores and warehouse stores) in New York and New Jersey. Annual sales average at US$1 billion. in New York and New Jersey. White Rose distributes products to several store banners, including Associated Foods, Federation Co-op, Food City, King Kullen, Met Foodmarkets, Price King and Royal Farms.

Serving the Mid-Atlantic region from Wayne, New Jersey, **The Grand Union Company** has a distribution network of 226 conventional supermarkets, of which 126 are in New York state and 43 are in New Jersey. Annual sales average US$2.3 billion.

New York City Terminal Market, which is managed by Hunts Point Terminal in the Bronx Product Co-operative, consists of approximately 70 wholesale firms and generates US$1 billion in annual sales. Its major customers are the many green grocers and smaller independent grocery stores so prevalent in New York City. Foodservice suppliers and ethnic grocers represent a large and growing portion of the market share, while large supermarkets account for only 8% of market sales.

Fulton Fish Market, located on the lower east side of Manhattan and occupying approximately four city blocks, is the home to roughly 55 firms. The market is serviced by truck only and distributes fresh fish to the New York grocery and foodservice industry.

Within New York State alone, there is an extensive network of niche-market distribution centres which generate annual sales in the range of US$50 million to US$180 million. These include such companies as; Charles Scaturro & Sons Inc., D'Agostino Supermarkets, Inc., Dan's Supreme Supermarkets, Food Circus Supermarkets Inc., and Glass Gardens Inc. Overall these distribution centres have selected niche market areas, and service a select clientele with the majority being conventional supermarkets.

Industry trends

Progressive Grocer's revealed a number of trends which are receiving greater attention throughout the food industry: these include: Category Management; Private Labels; and Cross-Docking/Just In Time Inventory.

Category Management: The food industry in the U.S. is placing increasing emphasis on the importance of category management. The 1995 Progressive Grocer's Annual Report of the Grocery Industry reports 73.8% and 75.1% of grocery store chain executives and wholesalers respectively see their companies moving towards category management. Retailers view their relationships with manufacturers as playing a key role in the overall success of their category management initiatives. Canadian companies interested in selling products into the U.S. market should keep this trend in mind. The services that a manufacturer can offer to help manage and grow categories and achieve logistics-based efficiencies are becoming as important as the products they supply.

Private Labels: The competitiveness of private label products in the United States over the past five years have more American consumers believing that store brands are of at least equal quality with branded goods. This may provide an area of opportunity for Canadian companies because retailers in the U.S. have only begun to tap into the power of retailer-controlled brands. As consumers become more price sensitive and retailers look for ways to reduce costs by shortening the distribution chain, demand for private labelling should increase. According to Progressive Grocer, private label's share of total grocery sales is currently 19% and could become as high as 30-35% in the next several years.

Cross Docking and Just-in-Time Inventory: Distribution lies at the heart of the changes occurring the food industry. Distributors and suppliers are forming partnerships intended to facilitate the move towards more of a just-in-time inventory system. Cross-docking, where goods are shifted from incoming trucks to outgoing trucks without being stored, is becoming more common.

Food marketing practices

Competition for retail shelf space is fierce. Exporters should anticipate that retailers and other buyers will generally expect them to have prepared a business plan for their products, and to have developed a marketing and incentive program to support their products in the marketplace. Suppliers are often expected to participate in a retailer's existing advertising and promotional programs. Furthermore, grocers employ a variety of in-store marketing and merchandising techniques, in which suppliers may be expected to contribute. For instance, within the region of Upper Mid-Atlantic, United States 95% of all grocers use in-house circulars as in-store marketing and75% also have implemented in-store coupons. The most commonly used techniques in the state of New York, other than circulars (97.3%) and in-store coupons (78.5%), are shelf material, bulletin boards, sampling and manufacturer point-of-sale (POS) materials. On the other hand, stores in New Jersey are heavy users of shelf material, Hi-Lo Promotions, sampling, manufacturer point-of-sale and demonstrations.

When introducing a new product, exporters should expect to pay a slotting fee (or as Canadians refer to them, listing fees) if they wish to succeed in gaining supermarket distribution. It is simply a matter of supply and demand. It can not be stressed enough that there is competition for precious space of the shelf. These fees are common practice in this market, and can range from US$2000 to US$10000 depending on the customer and on the product and volume. However, it is suggested that fees can be negotiated. A company may want to provide "free goods" worth US$2000. But, in terms of actual cost to the company it is worth only US$700 in production cost. It must also be noted that in most cases brokers will not negotiate this fee on your behalf. Additionally, some of the large brokers charge a US$2000 to US$3000 pioneering fee if the brand is not known or if the product is of foreign origin. The fee is an up-front payment for doing the work at the retail level.

Approval from a *New Product Review Committee* within the stores themselves is often required to get products onto the shelves. This approval may take a long time and a company may be required to provide references who can speak to their reputation, or offer a tour of their production facilities etc.

Key sub-markets

The main distributors in the U.S. Upper Mid Atlantic are concentrated in Albany, Buffalo, Syracuse and New York. Albany's distribution market is shared amongst Golub (20.6%), Penn Traffic (17.2%), C&S Wholesale Grocer (21.6%), followed by Hannaford Bros. (12.4%) and Wegmans having 8.4%. The remaining 20% is split amongst TOPS Markets, Wakefern Food, SUPERVALU, Flemming and Binghamton Giant Markets. Wegmans Food Markets (27.0%) and TOPS Markets (58.0) controls over 70% of the distribution to supermarkets in the Buffalo region. Flemming and Penn Traffic follow, each comprising roughly 10% of the total market share. Overall no one distribution

centre within the New York City area has more than 16% of the overall market. The larger centres such as; Great Atlantic & Pacific Tea (11.0%), Pathmark Stores (14.2%), and Wakfern Food (16.1%) are the major players.

Albany, New York

The Albany market, which covers Upper State New York (Rochester, Binghamton, Syracuse, Utica, Plattsburg and Watertown is served by three major food distributors located in the area and another seven from outside the area. Covered partially by the distribution centers are Albany-Schenectady-Troy, Burlington-Plattsburg, Elmira, and Rochester. The brokers and distributors in this market serve a total of 3000 food stores with annual sales of US$7.8 billion, and a population of 4.2 million living in the cities of Albany, Syracuse, Troy NY, Montpelier VT and other nearby cities.

Buffalo, New York

The Buffalo market area, comprising several counties within New York State, is served by three major food distributors located in the area and two others from outside. The brokers and distributors in the market serve a total of 3000 food stores with annual sales of US$5.8 billion, and a population of 1.2 million living in the cities of Buffalo, Rochester, Niagara Falls and other smaller centres. Buffalo is a major gateway for the import/export of goods and is ranked one of the top ten best cities in the United States for international companies. Buffalo's four border bridges make it a major commercial gateway between Canada and the U.S., with a reported 35000 commercial vehicles crossing weekly and carrying an estimated US$1billion in goods. Buffalo has a strong manufacturing base, with the automobile industry being the largest employer. There continues to be expansion in areas such as transportation; finance/insurance; hi-tech, and internationally recognized research facilities in the heath care industry.

New York City, New York

This market covers the major districts of New York City, surrounding burrows, and New Jersey. There are 11 major food distributors located within the area and 3 from outside the area which serve a total of 11,189 food stores with annual sales of US$24.9 billion, serving a population of 17. 9 million living in the cities of New York, Newark, Woodbridge, Edison, Yonkers and Middletown and other nearby cities. New investor confidence is spreading through New York major multinational companies such as Pepsi, Corning, and IBM are investing in New York.

PRODUCT OPPORTUNITIES

Meat and poultry

According to the per-capita food expenditure data available from the U.S. Bureau of Labor Statistics, consumers in the Upper Mid-Atlantic spend 20% of their retail food dollar on meat and poultry. On average, 59% of this amount is spent on beef, 19% on pork and 22% on poultry, although there has been a trend from red to white meat and toward processed meat products.

In the past decade, the U.S. pork industry has been working to promote its products and expects sales of fresh pork cuts to grow by 4% per annum until 2000. Chicken sales are expected to increase by 3% per annum to 2000; the chicken market is dominated by three companies - Purdue, Tyson, and ConAgra - which represents almost half of the total volume.
Nationally, sales of meat alternatives – for example, burgers, sausages and luncheon slices made from soy and other ingredients – are projected to grow by 163% from 1994 to 1999 and to outpace both prepared meals and dairy alternatives. Supermarkets account for more than half of retail sales of meat alternatives.

Fish and seafood

Upper Mid-Atlantic consumers spend 2.7% of their retail food dollar on fish and seafood, slightly lower than the national average of 3.5%. New Jersey is the home to some of the largest commercial fishing ports on the east coast including Cape May, Atlantic City, Point Pleasant and Port Norris. New Jersey is a desirable place for value-added fish and seafood processing operations and vertically-integrated business ventures are critical to New Jersey. Consumer interest in the fish market has grown as Americans have become more health-conscious and have begun looking for new ways to add nutritious items to their diets.

Bakery and cereal products

Growth in the bakery products market has been driven by the success of supermarket in-store bakeries, a consumer trend towards healthier eating, and a shift towards premium-oriented products. Regional consumers spend 10.8% of their retail food dollar on bakery and cereal products, roughly the same as the national average. Growing concerns for health, and demands for variety, including for "natural products" containing no artificial preservatives or sweeteners, are changing sales of bakery and cereal products.

Retail sales of bread and bread products are expected to reach US$23.8 billion nationally by 2000, with the largest gains expected in specialty breads and in-store bakeries. Reduced-fat and low-calorie products, which have become increasingly

popular over the past five years, are expected to drive the market growth. Product innovation in the bakery products market has also led to the introduction in recent years of a wide range of new products including items such as flat breads, and the expansion of regional favorites such as bagels.

Food outlets account for over 80% of bakery products distribution. The increased distribution of organic and health-oriented bakery products in the main stream channels such as in-store market bakeries, is expected to boost sales of this premium-priced market segment.

Fruits and vegetables

Consumers in the Upper Mid-Atlantic region spend 17.3% of their retail food dollar on fruits and vegetables. On average 63% of this amount is spent on fresh fruits and vegetables and 36.2% on processed products. As a result of improvements to quality and taste, fresh and frozen produce has been gaining popularity at the expense of canned goods.

Prepared foods

Consumers in the Upper Mid-Atlantic region spend less of their retail food dollar on prepared foods than the national average (19% versus 22%). Of this amount, 18% is spent on confectionery, 14.7% on fats, 8% on food prepared for trips, and 59% on all other products. Between 1994 and 1999, sales of prepared meals nationwide have increased an estimated 138% nationally.

Private-label products

Most major U.S. supermarket chains and wholesalers carry private-label items, an increasingly popular category with value-conscious consumers. The Private Label Manufacturers Association reported that store brands achieved a record 20.6% penetration level in 1997 and that sales growth outpaced the national brands. From an exporter's perspective, the private-label market can present certain advantages. For instance, many retailers exempt their manufacturers from normal slotting fees and promotional budgets, and assume the responsibility for developing FDA-compliant labels. Since U.S. retailers have only begun to tap into this market, providing private-label products may provide an area opportunity for Canadian companies. President's Choice has been particularly successful with the D'Agostino's chain in New York City.

EXPORT LOGISTICS

Selecting a distribution channel

Canadian food exporters to the United States must decide whether to sell their products directly or through an intermediary such as a trading house, food broker or distributor. Direct Selling is usually the most expensive and time-consuming option, but it can help in building strong relationships with customers. Trading houses and distributors will buy goods from vendors and are then responsible for reselling them. Food brokers act as an exporter's local sales force and, broadly speaking can be divided into private-label brokers, regional brokers and specialty brokers. Brokers do not usually take title to goods, but will sell them on the exporter's behalf to their customers on a commission basis.

Food Brokers

Most new food exporters choose brokers to sell their product and service their accounts. This method has the advantage of comparatively low start-up and overhead costs (no sales, no costs), quick access to an established network of buying contacts, a local presence to service clients, the broker's knowledge of the market and of the product's promotional requirements. Since many brokers have solid relationships with retailers and wholesalers, and have regular appointments with their buyers, they can often be instrumental in helping exporters to introduce new products.

A broker should be selected with care. Before committing to a particular firm, an exporter should consider the market segments and customers it serves; its reputation within the industry; the size of its sales force; the number and location of its offices; the services it offers; the products it currently sells; and its interest in the exporter's goods and in those of its competition. Any written agreement between an exporter and a broker should be prepared by a lawyer and, as a minimum, should cover the following points: territory covered, exclusivity, payment terms, performance criteria, collection of receivables, duration of agreement and procedures to terminate the agreement. It is important for an exporter to build a close and active working relationship with the chosen broker, so that the export products are given the necessary exposure.

For information about food brokers in this region, exporters should seek a retailer's recommendation, contact a local industry association such as the Association of Sales & Marketing Companies, the National Food Brokers Association and refer to selected industry publications such as the *Thomas Food Industry Register* or *Progressive Grocers' Marketing Guidebook*, or contact the nearest Canadian Consulate General.

Export regulations and procedures

In general, food and beverage exports to the U.S. fall under the jurisdiction of one or

more of the following government agencies: the Department of Agriculture (USDA); the Food and Drug Administration (FDA); the Customs Service (USCS); the Bureau of Alcohol, Tobacco and Firearms (ATF); and the Fish and Wildlife Service (FWS).

Food safety and health

Food safety laws are enforced by the FDA. Meat and poultry food safety laws are regulated by the USDA. All food products imported into the United States are required to meet the same health and safety standards as domestic goods, and they are subject to inspection at the time of entry. Essentially, these products must be pure, wholesome, safe to eat, produced under sanitary conditions, and feature informative and truthful labeling in English. The FDA is also responsible for the oversight of health warnings on beer, wine and spirits.

Marking and labeling

For most products, food labeling is regulated by the FDA. This agency administers and enforces the *Fair Packaging and Labeling Act* and the *Nutrition Labeling and Education Act of 1990* (NLEA), which describe what label information is required and how it must appear on products intended for retail sale. The agency also inspects imported products at the time of entry. The FDA does not approve product labels before entry, since food manufacturers are expected to comply with its labeling regulations. The FDA may, however, provide informal comments on request through its Washington DC or nearest regional office. Labels for meat and poultry products must be approved by the USDA's Animal Plant Health Inspection Service; whereas labels for alcoholic beverages are subject to approval by the FDA and, in some instances, by state regulators.

FDA regulations dictate the contents and appearance of the label's "principal display panel" and "information panel". Specifically, the principal display panel – the front of the label – must feature the identity of the product and net quantity statement in both metric and U.S. measures. The information panel must contain the manufacturer's name and address, the ingredient list, and nutrition information. The NLEA describes additional requirements pertaining to panel layout, serving size, nutrient content, health claims and descriptive terms such as "light" and "low-fat". Special regulations apply to products intended for infants and small children, small and intermediate-sized packages, and bilingual packages. Certain products are exempt from the nutrition labelling requirements. Small businesses exporting fresh produce, seafood, foods that provide no significant nutrition and dietary supplements should consult the detailed descriptions of food labelling requirements in the FDA publication *A Food Labeling Guide*.

U.S. Customs' Country of Origin regulations require that the country in which a product was manufactured be clearly marked in English on the label (e.g., "Product of Canada"). All shipping boxes and containers must be properly marked, or they risk being held up at customs for classification and origin requirements. More information on marking requirements is available in the USCS's publication, *Importing into the United States*.

Finally, most retail food stores require UPC symbols on the products they carry. Your company may apply for a manufacturer's number by contacting the Uniform Code Council.

Clearing U.S. customs

Duties and quotas

Canada enjoys free and open access to the U.S. market under the North American Free Trade Agreement (NAFTA) and the World Trade Organization. Essentially, as of January 1998, all bilateral trade in "originating" goods is duty-free under NAFTA; however, trade in some products or containing (e.g., sugar and dairy products) may be restricted or prohibited based on tariff quotas. Some agricultural commodities are subject to inspection fees. A customs broker can help determine a product's harmonized system (H.S.) classification, as well as any applicable quotas and fees. It is possible to seek a binding classification from U.S. Customs.

Export documentation and procedures

Canadian exporters are strongly encouraged to use a certified customs broker to manage border procedures. Customs brokers identify all information required by the exporter and are able to provide insight on market access issues such as import restrictions based on quotas, H.S. classifications, health regulations, documentation, labelling and product testing. The cost of a customs broker's services are assessed assessed usually on a per shipment basis and reflect the amount of data transmitted to USCS as well as extra services required to expedite a shipment.

To retain the services of a U.S. customs broker, an exporter must authorize the brokerage firm (by power of attorney) to file entries on its behalf with USCS. The exporter may also purchase a customs bond to guarantee payment of duties and legal entry of goods, as applicable. The following documents must be completed each and every time a shipment is cleared into the United States:

- Pro forma invoice;
- Bill of lading;
- Inward cargo manifest;

- Health certificate, as required by USDA;
- NAFTA certificate (for individual or annual shipments valued at more than US $2000).

Exporters should complete the required documents and forward them in advance by fax to the customs brokers, who can then notify USCS of entry and arrange for clearance. The original documents must accompany the shipment. If a discrepancy is found with the shipment upon entry, an FDA or USDA representative will collect the sample for analysis. If the analysis shows that the product is in compliance (with U.S. import regulations), the shipment will be released. However, if it reveals a violation, the product will be refused admission; the exporter may then challenge the detention, by proving that the product complies with the law, or may submit an application to recondition the product and bring it into compliance.

Goods should be properly packed and marked for shipment to both to reduce the risk of damage, pilferage and illegal substance concealment, and to expedite customs examination. Food samples are exempt from labelling requirements, but must be marked as samples and shipped in compliance with ususal import regulations.

Transportation

Modes of transportation to the United States include air, rail and truck. Your choice will be determined mainly by the type of product, the cost of freight and its effect on price, and delivery targets. Transportation insurance against damage, loss or theft can be purchased as an open policy covering all shipments, or on a shipment basis. American buyers compare a product's CIF price (i.e., cost, insurance and freight to a named port of destination, usually known as the landed price) with the prices of competing products. American food distributors and wholesalers prefer to maintain low inventories, so suppliers must be able to provide just-in-time delivery. Canadian third-party logistics companies have recently emerged to provide new exporters with one-stop access to distribution services.

Getting paid

Because of the proximity of Canada and the United States, cash in advance and open account sales are more frequent methods of payment than letters of credit. Payments can easily be made by cheque or bank transfer. A buyer's credit rating can be checked with bankers, others suppliers and private credit analysis institutions. Both the Export Development Corporation (EDC) and the Business Development Bank of Canada (BDC) offer insurance programs to protect Canadian exporters against non-payment by U.S. buyers. Some exporters have found it helpful to maintain a U.S. business address and bank account; however, companies should first consider the legal and tax

implications of such an arrangement.

Cultural and business practices

Although there are many similarities between Canada and the United States, exporters should recognize that doing business in the U.S. is not the same as in Canada. Customers expect to receive stronger after-sales service and to be supported with incentives and marketing programs. The market is extremely competitive, the pace of business is quick, and customer loyalty is not always as strong as desired. In general, Canadian food and beverage products enjoy an excellent reputation for quality and value.

APPENDIX A – OTHER SOURCES OF INFORMATION

Selected publications and periodicals

The Institutional Foodservice Market in the U.S. Pacific Northwest, Team Canada Market Research Centre, 1998.

10 Steps to Export Success, Department of Foreign Affairs and International Trade, 1997.

A Guide to Export Services, Department of Foreign Affairs and International Trade, 1997.

A Food Labeling Guide, U.S. Food and Drug Administration, 1994.

Importing into the United States, U.S. Customs Service, 1998.

Progressive Grocer's 1998 Marketing Guidebook, Trade Dimensions div. of Interactive Systems Inc.

Trends in the United States – Consumer Attitudes and the Supermarket 1997, Food Marketing Institute.

How to Get Your Product Into Supermarkets, Packaged Facts-Find/SVP, 1996

New York Tri-State Food Market Overview - Canadian Consulate General New York, June 1996

Market Research International - Euromonitor, March 1998 and January 1998.

Selected on-line information services

InfoExport	http://www.infoexport.gc.ca
ExportSource	http://www.exportsource.gc.ca
Agri-Food Trade Service (ATS) Online	http://www.atn-riae.agr.ca
Strategis	http://www.strategis.ic.gc.ca
DFAIT web site	http://www.dfait-maeci.gc.ca
Canadian Food Trade Alliance	http://www.cfta.ca
FoodNet	http://www.foodnet.com
The U.S. Trade Center	http://www.ustradecenter.com
FedStats (U.S. government)	http://www.fedstats.gov
Thomas Food Industry Register	http://www.tfir.com
The Food Institute	http://www.foodinstitute.com
FoodIndustry	http://www.foodindustry.com
Progressive Grocer	http://www.progressivegrocer.com
Supermarket Business	http://www.supermarketbusiness.com
Supermarket News	http://www.supermarketnews.com
Trade Show Central	http://www.tscentral.com
Trade Show News Network	http://tsnn.com

APPENDIX B – PROMOTIONAL EVENTS AND TRADE SHOWS

Trade shows represent one of the most important ways of entering the lucrative and competitive U.S. food and beverage market. Export-ready companies can learn about market and product trends, check out their competitors and meet prospective customers. At key shows, the Canadian government organizes official Canadian food pavilions, which exporters are invited to join. The Government also organizes several expositions and other trade promotion events to help introduce Canadian food and beverage exporters to the U.S. market. For more information, contact the Agri-food Trade Service office nearest to you.

Event	Organizer
The FMI Show (aka FMI's Supermarket Industry Convention & Educational Expo) May 2-5, 1999 McCormick Place, Chicago, IL Largest annual grocery trade show in the U.S. for all types of consumer-ready foods and beverages. *NOTE: Canadian national pavilion at 1999 show.*	Food Marketing Institute 800 Connecticut Avenue N.W. Washington, DC 20006-2701 Telephone: (202) 429-8444 Facsimile: (202) 429-4519 Internet: http://www.fmi.org
America's Supermarket Showcase January 28-29, 1999 Moscone Center, San Francisco, CA Trade show for foods and beverages, equipment and services for independent retailers and their wholesalers.	National Grocers Association 1825 Samuel Morse Drive Reston, VA 20190 Telephone: (703) 437-5300 Facsimile: (703) 437-7768
MealSolutions October 4-6, 1999 St. Louis Convention Centre, St. Louis, IL Conference focussed on burgeoning home meal replacement market.	Food Marketing Institute 800 Connecticut Avenue N.W. Washington, DC 20006-2701 Telephone: (202) 452-8444 Facsimile: (202) 429-4519 Internet: http://www.fmi.org
HMR Summit (Home Meal Replacement) March 8-10, 1999 Swissotel, Atlanta, GA Small conference on emerging HMR trends provides educational and networking opportunities.	Industry Event International 71 Second Ave, 3rd Floor Waltham, MA 02154 Telephone: (781) 663-6651 Facsimile: (781) 663-6436 Internet: http://www.hmr-summit.com
The PLMA's Private Label Trade Show November 14-16, 1999 Rosemont Convention Center, Chicago, IL Premier annual trade show for the private-label business in North America. *NOTE: Canadian national pavilion at 1999 show.*	Private Label Manufacturers Association 369 Lexington Avenue New York, NY 10017 Telephone: (212) 972-3131 Facsimile: (212) 983-1382 Internet: http://www.plma.com

Event	Organizer
International Fancy Food & Confection Shows Winter: January 17-19, 1999, San Francisco Spring: March 21-23, 1999, Chicago Summer: July 11-14, 1999, New York The premier events for the specialty and gourmet food industries. *NOTE: Canadian national pavilion at 1999 Winter and Summer shows.*	National Association for the Specialty Food Trade 120 Wall Street, 27th Floor New York, NY 10005-4001 Telephone: (212) 482-6440 Facsimile: (212) 482-6459 Internet: http://www.specialty-food.com
NFDA Convention & Exposition Mid-Winter: January 8-10, 1999, Orlando Mid-Summer: August 7-9, 1999, Anaheim Biannual trade shows for low-volume specialty food and beverage suppliers.	National Food Distributors Association 401 North Michigan Avenue, Suite 2200 Chicago, IL 60611 Telephone: (312) 644-6610 Facsimile: (312) 527-6783 Internet: http://www.specialtyfoods.org
ASMC's Business Forum & Expo October 02-05, 1999 Hyatt Regency Hotel, Chicago, IL The annual convention and exposition of the new National Food Brokers Association and International Foodservice Brokers Association.	Association of Sales & Marketing Companies 2100 Reston Parkway, Suite 400 Reston, VA 20191-1218 Telephone: (703) 758-7790 Facsimile: (703) 758-7787 Internet: http://www.asmc.org
The NACS Show (aka National Association of Convenience Stores Annual Meeting & Expo) October 02-05, 1999 McCormick Center, Chicago, IL The premier convention of the convenience store and petroleum marketing industries.	National Association of Convenience Stores 1605 King Street Alexandria, VA 22314-2792 Telephone: (703) 684-3600 Facsimile: (703) 836-4564 Internet: http://www.cstorecentral.com
AWMA's National Winter Convention & Candy Exposition February 24-27, 1999, Orlando, FL February 16-19, 2000, San Diego, CA Large candy, snack food and convenience product show for the wholesale and retail trades.	American Wholesales Marketers Association 1128 Sixteenth Street N.W. Washington, D.C. 20036 Telephone: (202) 463-2124 Facsimile: (202) 463-6312 Internet: http://www.awmanet.org
Worldwide Food Expo October 28-31, 1999 McCormick Place, Chicago, IL Biennnual trade show and convention co-sponsored by the American Meat Institute, the International Dairy Foods Association, the Dairy & Food Industries Supply Association and the National Food Processors Association.	Worldwide Food Expo Management 2751 Prosperity Avenue, Suite 100 Fairfax, VA 22031 Telephone: (703) 876-0900 Facsimile: (703) 876-0904 Internet: http://www.rneatami.org OR http://www.iafis.org

Event	Organizer
IDDBA's Dairy-Deli-Bake Seminar & Expo June 6-8, 1999, New Orleans, LA June 4-6, 2000, Anaheim, CA Annual educational seminar and trade show held each June in a different city.	International Dairy-Deli-Bakery Association P.O. Box 5528 Madison, WI 53705-0528 Telephone: (608) 238-7908 Facsimile: (608) 238-6330 Internet: http://www.iddanet.org
Market Place (aka NNFA Annual Convention & Trade Show) July 8-11, 1999 Las Vegas Convention Center, Las Vegas, NV National health and natural food show is especially strong for vitamins and supplements.	National Nutritional Foods Association 3931 MacArthur Boulevard, Suite 101 Newport Beach, CA 92660 Telephone: (714) 622-6272 or (949) 622-6272 Facsimile: (714) 622-6266 or (949) 622-6266 Internet: http://www.nnfa.org
PMA's Annual Convention & Expo October 22-26, 1999, Atlanta, GA Annual trade show for marketers of fresh fruits, vegetables and floral products worldwide.	Produce Marketing Association 1500 Casho Mill Road, P.O. Box 6036 Newark, DE 19714-6036 Telephone: (302) 738-7100 Facsimile: (302) 731-2409 Internet: http://www.pma.com
InterBev (aka International Beverage Industry Exhibition & Congress) December 04-06, 2000 Morial Convention Center, New Orleans ,LA Biennial trade show features the newest products and equipment for the beverage industry.	InterBev, Ltd. 1101 Sixteenth St. N.W. Washington, DC 20036 Telephone: (202) 463-6794 Facsimile: (202) 833-2484 Internet: http://www.interbev.com
Natural Foods Expo West March 11-14, 1999 March 23-26, 2000 Convention Center, Anaheim, CA Natural and organic foods (85%), vitamins and supplements for the health foods industry.	Natural Products Expo/New Hope Natural Media 1301 Spruce Street Boulder, CO 80302 Telephone: (303) 939-8440 ext. 157 Facsimile: (303) 939-8608 Internet: http://www.naturalproductexpo.com
International Kosher Food & Food Service Trade Shows November 9-10, 1999 Meadowland Convention Center Secaucus, New Jersey The largest gathering of the rapidly growing kosher food industry.	

APPENDIX C – KEY CONTACTS

CANADIAN GOVERNMENT AGENCIES

Agriculture and Agri-Food Canada
Agri-Food Trade Service (ATS) regional contacts:

Renee Umezuki
New Westminster, BC
Telephone: (604) 666-7903

Rodney Dlugos
Edmonton, AB
Telephone: (403) 495-5526

Brenda Patton
Regina, SK
Telephone: (306) 780-7071

Fay Abizadeh
Winnipeg, MB
Telephone: (204) 983-8622

Frank Webster
Guelph, ON
Telephone: (519) 837-5854

Robert Bouchard
Montreal, PQ
Telephone: (514) 283-3815 ext. 501

Bernard Mallet
Moncton, NB
Telephone: (506) 452-3732

Chris Pharo
Charlottetown, PEI
Telephone: (902) 566-7310

Janet Steele
Halifax, NS
Telephone: (902) 426-2221

Al McIsaac
St. John's, NF
Telephone: (709) 772-0330

Agriculture and Agri-Food Canada
International Markets Bureau
10th Floor, Sir John Carling Building
Ottawa, ON K1A 0C5
Contact: Brian Sundue
Telephone: (613) 759-7712
Facsimile: (613) 759-7506
Email: sundueb@em.agr.ca
Internet: atn-riae.agr.ca

Department of Foreign Affairs and International Trade
Market Support Division
125 Sussex Drive (TCM)
Ottawa, ON K1A 0G2
Contact: Rob Lazariuk
Telephone: (613) 995-1773
Facsimile: (613) 943-8820
Email: rob.lazariuk@dfait-maeci.gc.ca
Internet: http://www.dfait-maeci.gc.ca

Department of Foreign Affairs and International Trade
U.S. Business Development Division
125 Sussex Drive (UTO)
Ottawa, ON K1A 0G2
Contact: Serge Charbonneau
Telephone: (613) 944-5912
Facsimile: (613) 944-9119
Email: serge.charbonneau@extott13.x400.gc.ca
Internet: http://www.dfait-maeci.gc.ca

Department of Foreign Affairs and International Trade
Tariffs and Market Access Division
125 Sussex Drive (EAT)
Ottawa, ON K1A 0G2
Contact: Neil Baisi (Food Labelling)
Telephone: (613) 944-1015
Facsimile: (613) 944-4840
Email: neil.baisi@extott16.x400.gc.ca
Internet: http://www.dfait-maeci.gc.ca

CANADIAN GOVERNMENT AGENCIES

Canadian Consulate General
1251 Avenue of the Americas
New York City, NY 10020-1175
Contact: Katie Kerr
Telephone: (212) 596-1628 ext.3356
Facsimile: (212) 596-1793
Email: katie@canapple.com
Internet: http://www.canapple.org

Business Development Bank of Canada
Headquarters – 280 Albert Street, 3rd Floor
Ottawa, ON K1P 5G8
Telephone: 1-888-INFO-BDC
Facsimile: (613) 995-9045
Internet: http://www.bdc.ca

Canadian Consulate General
One Marine Midland Center, Suite 3000,
Buffalo, New York 14203-2884
Contact: Marcia M.Grove
Telephone: (716) 858-9500
Facsimile: (716) 852-4340
Email: marcia.grove@bfalo01.x400.gc.ca
Internet: http://www.canadianconsulatebuf.org

Export Development Corporation
151 O'Connor Street
Ottawa, ON K1A 1K3
Telephone: 1-800-880-1884
Facsimile: (613) 598-6697
Internet: http://www.edc.ca

Canadian Food Inspection Agency
59 Camelot Drive
Ottawa, ON K1A 0Y9
Telephone: (613) 225-2342 or 1-800-442-2342
Facsimile: (613) 228-6634

SELECTED CANADIAN FEDERAL EXPORT ASSISTANCE PROGRAMS

☐ *New Exporters to Border States (NEBS)* — is a crash course for small- and medium-sized businesses on the essentials of exporting to the United States. It provides practical information along with first-hand exposure to a nearby marketplace through a 1-3 day mission to a U.S. border state (NEBS) or other regional market (NEBS*plus*).

☐ *WIN Exports* — is a database of Canadian exporters and their capabilities, which is used by Trade Commissioners around the world and by Team Canada partners in Canada to match Canadian suppliers to foreign business leads and to share information on trade events.

☐ *Program for Export Market Development (PEMD)* — is a funding program administered by DFAIT to help Canadian companies develop export markets through financial risk sharing. PEMD has four elements: capital projects bidding, trade association activities, market development strategies (MDS), and new-to-exporting companies.

☐ *Agri-Food Trade 2000* — is a cost-shared funding program administered by AAFC to help Canadian agri-food industry associations and alliances carry out a wide range of marketing- and trade-related activities. AFT 2000 includes a provision for supporting Canadian company brand promotions abroad on a case-by-case basis, to defend against foreign competitors who benefit from financial support for export marketing from their governments.

EXPORT-ORIENTED CANADIAN FOOD INDUSTRY ASSOCIATIONS

Quebec Agri-Food Export Club
200 MacDonald Street, Suite 102
St. Jean-sur-Richelieu, PQ J3B 8J6
Telephone: (514) 349-1521
Facsimile: (514) 349-6923
Internet: http://www.profil-cdi.qc.ca

Food Beverage Canada
17313 - 107th Avenue
Edmonton, AB T5S 1E5
Telephone: (403) 486-9679 or 1-800-493-9767
Facsimile: (403) 484-0985
Internet: http://www.foodbeveragecanada.com

Canadian Food Exporters Association
885 Don Mills Road, Suite 301
Don Mills, ON M3C 1V9
Telephone: (416) 445-3747 or 1-888-227-8848
Facsimile: (416) 510-8044

Alliance of Manufacturers and Exporters of Canada
75 International Boulevard, Suite 400
Toronto, ON M9W 6L9
Telephone: (416) 798-8000
Facsimile: (416) 798-8050
Internet:
http://www.palantir.ca/the-alliance/default.html

U.S. GOVERNMENT AGENCIES

U.S. Department of Agriculture (USDA)
1301 New York Avenue N.W.
Washington, D.C. 20005
Telephone: (202) 219-0515
Facsimile: (202) 219-0112
Internet: http://www.usda.gov

U.S. Department of Health and Human Services
Food and Drug Administration (FDA)
5600 Fishers Lane
Rockville, MD 20857
Telephone: (301) 443-4480
Facsimile: (301) 443-0335
Internet: http://www.fda.gov

U.S Department of the Interior
Fish and Wildlife Service (FWS)
1849 C Street N.W.
Washington, D.C. 20240
Telephone: (202) 208-3100
Facsimile: (202) 208-5048
Internet: http://www.fws.gov

U.S. Department of Agriculture (USDA)
Food Safety and Inspection Service (FSIS)
Room 1175, South Building
1400 Independence Avenue S.W.
Washington, D.C. 20250
Telephone: (202) 720-7943
Facsimile: (202) 720-1843
Internet: http://www.fsis.usda.gov

U.S. Department of the Treasury
U.S. Customs Service (USCS)
1300 Pennsylvania Avenue N.W.
Washington, D.C. 20229
Telephone: (202) 927-6724
Facsimile: (202) 927-1393
Internet: http://www.customs.ustreas.gov

U.S. Department of the Treasury
Bureau of Alcohol, Tobacco & Firearms (ATF)
650 Massachusetts Avenue N.W.
Washington, D.C. 20226
Telephone: (202) 927-7777
Facsimile: (202) 927-8605
Internet: http://www.atf.treas.gov

U.S. FOOD INDUSTRY ASSOCIATIONS

Food Marketing Institute
800 Connecticut Avenue N.W.
Washington, D.C. 20006-2701
Telephone: (202) 429-8444
Facsimile: (202) 429-4519
Internet: http://www.fmi.org

National Association of Convenience Stores
1605 King Street
Alexandria, VA 22314-2792
Telephone: (703) 684-3600
Facsimile: (703) 836-4564
Internet: http://www.cstorecentral.com

Association of Sales & Marketing Companies
2100 Reston Parkway, Suite 400
Reston, VA 20191-1218
Telephone: (703) 758-7790
Facsimile: (703) 758-7787
Internet: http://www.asmc.org
Notes: Formerly the National Food Brokers Association and the International Foodservice Brokers Association.

Manufacturers' Agents National Association
23016 Mill Creek Road, P.O. Box 3467
Laguna Hills, CA 92654-3467
Telephone: (949) 859-4040
Facsimile: (949) 855-2973
Internet: http://www.manaonline.org

National Association for Retail Merchandising Services
P.O. Box 906
Plover, WI 54467-0906
Telephone: (715) 342-0948
Facsimile: (715) 342-1943
Internet: http://www.narms.com

Uniform Code Council Inc.
8163 Old Yankee Road, Suite J
Dayton, OH 45458
Telephone: (513) 435-3870
Facsimile:

National Grocers Association
1825 Samuel Morse Drive
Reston, VA 20190
Telephone: (703) 437-5300
Facsimile: (703) 437-7768

National Food Distributors Association
401 North Michigan Avenue, Suite 2200
Chicago, IL 60611-4267
Telephone: (312) 644-6610
Facsimile: (312) 527-6783
Internet: http://www.specialtyfoods.org

Food Distributors International
201 Park Washington Court
Falls Church, VA 22046-4521
Telephone: (703) 532-9400
Facsimile: (703) 538-4673
Internet: http://www.fdi.org
Notes: Formerly the National American Wholesale Grocers Association and the International Foodservice Distributors Association.

American Wholesale Marketers Association
1128 Sixteenth Street N.W.
Washington, D.C. 20036
Telephone: (202) 463-2124
Facsimile: (202) 463-6312
Internet: http://www.awmanet.org

American Institute of Food Distribution Inc.
(aka The Food Institute)
12 Broadway, Suite 28
Fairlawn, NJ 07140-0972
Telephone: (201) 791-5570
Facsimile: (201) 791-5222
Internet: http://www.foodinstitute.com

Northwest Food Processors Association
6950 S.W. Hampton Street, Suite 340
Portland, OR 97223
Telephone: (503) 639-7676
Facsimile: (503) 639-7007
Internet: http://www.nwfpa.org